

AR48

Commerce  
Capital  
TrustAnnual Report  
1976

PLEASE NOTIFY THE COMPANY OF ANY CHANGE OF ADDRESS							
DATE	ITEM	WITHDRAWAL		DEPOSIT	BALANCE		TELLER
Jan 10 '77				\$ 500 00	\$ 500 00		JM
Feb 5 '77				\$ 300 00	\$ 800 00		JM
Feb 27 '77				\$ 200 00	\$ 1,000 00		JM
Mar 4 '77				\$ 500 00	\$ 1,500 00		JM





# Commerce Capital Trust Company

## Directors

T. L. Charne, Q.C., Winnipeg,  
President,  
Commerce Capital Properties Limited

D. P. Hays, Calgary,  
Partner,  
Macleod Dixon

J. W. Leech, Calgary,  
Executive Vice-President,  
Commerce Capital Trust Company

R. B. Love, Q.C., Calgary,  
Partner,  
Macleod Dixon

C. Orenstein, Toronto,  
President,  
Consolidated Hotel Management  
Company Limited

J. B. Whitely, Montreal,  
President,  
Commerce Capital Corporation Limited

## Auditors

Thorne Riddell & Co.  
Calgary

## Transfer Agent & Registrar

Commerce Capital Trust Company  
Calgary, Toronto, Montreal,  
Vancouver and Winnipeg

## Stock Listings

The Toronto Stock Exchange  
Montreal Stock Exchange  
The Alberta Stock Exchange

## Officers

J. B. Whitely  
Chairman and President

J. W. Leech  
Executive Vice-President

R. B. Love, Q.C.  
Vice-President

L. R. Lunn, C.F.A.  
Vice-President

H. Kramer, C.A.  
Vice-President, Finance

O. J. Dizep  
Vice-President, Mortgages

J. Medway  
Secretary

B. A. Johnson, C.A.  
Comptroller

## Executive Offices

209 - 8th Avenue South West  
Calgary, Alberta T2P 1B8  
One Place Ville Marie, Suite 3424  
Montreal, Quebec H3B 3N6

## Head Office

209 - 8th Avenue South West  
Calgary, Alberta T2P 1B8



## To The Shareholders

Commerce Capital Trust had an excellent year in 1976, marked by a substantial increase in the level of earnings and a further strengthening of the company's asset base.

Profits reached the highest level in the history of the Company as net earnings increased by 31% from \$1,777,000 to \$2,336,000. After allowing for dividends to preferred shareholders, earnings applicable to common shares were \$2,013,000 compared to \$1,652,000 a year earlier. On a per share basis, this represents \$1.48 versus the 1975 level of \$1.21 — a 22% increase.

Total assets were up 24%, increasing from \$263 million to \$327 million. The mortgage portfolio increased from \$196 million to \$219 million, investment in properties grew from \$13 million to \$37 million and holdings of marketable securities rose from \$37 to \$48 million.

This expansion in assets was financed principally through the guaranteed account which consists of savings and chequing deposits, guaranteed investment certificates, registered retirement savings plans, registered home ownership savings plans and income averaging annuity contracts. In total, the guaranteed account grew from \$231 million to \$290 million, an increase of 26%. Of particular note was the success of our 1976 registered retirement savings plan campaign which resulted in a net deposit increase of \$30 million.

One of the most significant developments in 1976 was our change of name to Commerce Capital Trust Company from Farmers & Merchants Trust Company. We believe the new name is an excellent one because it identifies the Company with the parent company, Commerce Capital Corporation Limited, and more accurately

reflects the national scope of our operations.

### Operating Highlights

The company's major activity continued to be its mortgage lending operations. During 1976, a total of \$75 million in new mortgage loans were placed, resulting in a net increase of \$23 million in the portfolio. Included in these numbers was the financing of over 2,000 housing units throughout Canada. We are particularly pleased that the residential content of our mortgage portfolio continued to increase.

Three new money services were added to our product line in order to expand the savings alternatives available to our customers. In March, the company began marketing Series B bonds of Commerce Capital Mortgage, an associated company, through our branch system. This program helped to increase our fee income while introducing another investment vehicle to our customers. These bonds are very similar to the guaranteed investment certificates of the Trust Company and carry the protection of the Canadian Deposit Insurance Corporation. In November, a new Registered Retirement Savings Plan package was introduced. This Plan allows our customers to choose a wide variety of investments for their retirement savings. Finally, in January of this year we launched a new mortgage investment vehicle, the Comcap Mortgage Fund. This will enable an investor with a limited amount of funds to participate in the Canadian mortgage market.

In 1976 three of our major branch facilities were expanded and upgraded. The Edmonton branch was moved to a newly constructed Company-owned building, providing a more spacious service area. The Toronto branch was re-located in the new Commerce Capital premises in order

to provide our full range of money services in a private and personal atmosphere. In addition, the Montreal branch was completely renovated, greatly expanding customer service facilities.

### **Real Estate Development**

The Company's real estate subsidiary, Commerce Capital Properties showed considerable progress in 1976. Two new enclosed shopping malls were opened; one in Courtenay, British Columbia and the other in Winnipeg, Manitoba. These are the third and fourth centres to be developed and operated by our Company. In addition, Commerce Capital Properties was very active in the construction and marketing of two large condominium projects in the greater Vancouver area. These projects have provided the Company's mortgage operation with another source of residential mortgage loans.

### **Change in Officers**

In August, Mrs. J. Medway was appointed Secretary of the Company and in November, Mr. B. A. Johnson was appointed Comptroller.

### **Dividends**

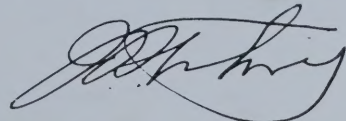
During the year the Company's dividend program had to be curtailed to conform to the anti-inflation guidelines imposed by the Federal Government. Under these guidelines dividends payable during the twelve month period ending mid-October, 1976 were restricted to 24 cents per share. Accordingly, after paying two regular 10 cent quarterly dividends, the Company was obliged to reduce the June dividend to 4 cents, and to omit the September dividend altogether. In October, these dividend restrictions were lifted because the parent company, Commerce Capital

Corporation Limited, increased its ownership in the Company to over 90 percent. The regular 10 cent dividend was restored in December. On February 24th, 1977 the Board of Directors declared a quarterly dividend of 12 cents per share payable March 15th, 1977 to shareholders of record March 4th, 1977.

### **Outlook**

We believe that Canadian interest rates will remain relatively stable for the remainder of 1977 with a possible upturn in the fourth quarter in response to rising rates in the United States. This means that our company should enjoy a period of relatively fixed interest rate spreads throughout 1977.

In the coming year, two major pieces of federal legislation — the Borrowers and Depositors Protection Act and the Bank Act — will receive parliamentary review. These Acts will greatly affect the future of our industry and it is our intention to participate actively through the Trust Companies Association of Canada to ensure that the resulting legislation is relevant and beneficial to the interest of the Canadian public.



J. B. Whitely  
Chairman and President

February 24th, 1977  
Calgary



# Commerce Capital Trust Company

## Consolidated Balance Sheet

as at December 31, 1976

<b>Assets</b>	<u>1976</u>	<u>1975</u>
<b>Cash and bank deposit receipts</b>	\$ 18,773,000	\$ 13,389,000
<b>Investment in marketable securities</b> (note 3)	47,845,000	36,760,000
<b>Mortgages and secured loans</b>	219,094,000	195,732,000
<b>Accounts receivable and prepaid expenses</b>	2,153,000	1,555,000
<b>Properties</b> (note 4)	37,170,000	13,422,000
<b>Premises and equipment</b> , at cost less accumulated depreciation (1976 — \$570,000; 1975 — \$394,000)	2,153,000	1,986,000
	<u>\$327,188,000</u>	<u>\$262,844,000</u>

Approved by the Board

J. B. Whitely, Director

J. W. Leech, Director



## Liabilities and Shareholders' Equity

	1976	1975
<b>Guaranteed account</b> (note 5)		
Deposits	\$107,040,000	\$ 68,466,000
Guaranteed investment certificates	183,374,000	162,616,000
	<u>290,414,000</u>	<u>231,082,000</u>
<b>Other liabilities</b>		
Bank indebtedness, secured	600,000	1,105,000
Accounts payable and accrued liabilities	2,905,000	2,246,000
Income taxes payable	—	350,000
Mortgages payable (note 6)	12,383,000	9,516,000
Subordinated Notes (note 7)	1,832,000	2,000,000
	<u>17,720,000</u>	<u>15,217,000</u>
<b>Deferred income</b>	4,230,000	4,408,000
<b>Deferred income taxes</b>	1,961,000	965,000
<b>Minority interest in subsidiary company</b>	<u>94,000</u>	<u>88,000</u>
<b>Shareholders' Equity</b>		
Capital stock		
Authorized —		
1,000,000 preferred shares at the par value of \$10 each		
2,000,000 common shares at the par value of \$1 each		
Issued —		
300,000 10 <sup>3</sup> / <sub>4</sub> % cumulative, redeemable preferred shares, Series A	3,000,000	3,000,000
1,361,478 common shares	1,361,000	1,361,000
Contributed surplus	2,091,000	2,091,000
General reserve	4,750,000	4,000,000
Retained earnings	1,567,000	632,000
	<u>12,769,000</u>	<u>11,084,000</u>
	<u>\$327,188,000</u>	<u>\$262,844,000</u>



# Commerce Capital Trust Company

## Consolidated Statement of Earnings

Year ended December 31, 1976

	<u>1976</u>	<u>1975</u>
<b>Revenue</b>		
Income from mortgages and secured loans	\$ 25,877,000	\$ 20,336,000
Income from sale of properties	17,578,000	558,000
Income from marketable securities	5,927,000	3,709,000
Other	<u>2,066,000</u>	<u>1,570,000</u>
	<u>51,448,000</u>	<u>26,173,000</u>
<b>Expenses</b>		
Interest on deposits and borrowings	25,026,000	18,442,000
Cost of properties sold	17,710,000	405,000
Personnel	2,310,000	2,075,000
Premises	622,000	546,000
Other	<u>1,769,000</u>	<u>1,374,000</u>
	<u>47,437,000</u>	<u>22,842,000</u>
<b>Earnings before income taxes</b>	<u>4,011,000</u>	<u>3,331,000</u>
<b>Income taxes</b>		
Current	680,000	1,184,000
Deferred	<u>995,000</u>	<u>370,000</u>
	<u>1,675,000</u>	<u>1,554,000</u>
<b>Net earnings</b>	<u>2,336,000</u>	<u>1,777,000</u>
Earnings applicable to preferred shares	<u>323,000</u>	<u>125,000</u>
<b>Net earnings applicable to common shares</b>	<u>\$ 2,013,000</u>	<u>\$ 1,652,000</u>
<b>Net earnings per common share</b>	<u>\$1.48</u>	<u>\$1.21</u>



## Consolidated Statement of Retained Earnings

Year ended December 31, 1976

	<u>1976</u>	<u>1975</u>
<b>Retained earnings at beginning of year</b>	\$ 632,000	\$ 344,000
Net earnings	2,336,000	1,777,000
	<u>2,968,000</u>	<u>2,121,000</u>
Transferred to general reserve	750,000	750,000
Dividends		
Common shares	328,000	354,000
Preferred shares	323,000	150,000
Preferred share issue expenses	—	235,000
	<u>1,401,000</u>	<u>1,489,000</u>
<b>Retained earnings at end of year</b>	<u><u>\$ 1,567,000</u></u>	<u><u>\$ 632,000</u></u>

## Consolidated Statement of General Reserve

Year ended December 31, 1976

	<u>1976</u>	<u>1975</u>
<b>General reserve at beginning of year</b>	\$ 4,000,000	\$ 3,250,000
Transfer from retained earnings	750,000	750,000
<b>General reserve at end of year</b>	<u><u>\$ 4,750,000</u></u>	<u><u>\$ 4,000,000</u></u>

## Certificate

(Under the Trust Companies Act, 1967, Section 91 (3))

We certify that the financial statements of Commerce Capital Trust Company and subsidiary companies are to the best of our knowledge and belief correct and show truly and clearly the financial condition of the companies' affairs.

J. B. Whitely  
Chairman and President

J. W. Leech  
Executive Vice-President



# Commerce Capital Trust Company

## Notes to Consolidated Financial Statements

Year ended December 31, 1976

### 1. Change of Name

By Order-in-Council dated October 12, 1976 the Company's name was changed from Farmers & Merchants Trust Company to Commerce Capital Trust Company.

### 2. Accounting Policies

#### *Subsidiary Companies*

These financial statements include the accounts of the Company and the wholly-owned subsidiaries Fort Calgary Properties Ltd., Greenwood Properties (1970) Ltd., Famtco Holdings Ltd. and its wholly-owned subsidiary D & B Noteholders Properties Ltd.; and Commerce Capital Properties Limited in which the Company holds a 90% interest.

#### *Marketable Securities*

Bonds are recorded in the accounts at amortized cost. Stocks are recorded in the accounts at cost, less amounts written off.

#### *Properties*

All costs and expenses which are directly related to development activities are capitalized until substantial rental occupancy is achieved. The cost of developed properties, exclusive of land costs, is depreciated on a 5%, thirty-year sinking fund basis.

Properties held for sale are recorded at the lower of cost and estimated net realizable value.

#### *Premises and Equipment*

Premises and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets or the terms of the respective leases.

#### *Income Taxes*

The Company follows the tax allocation method of providing income taxes. Under this method income taxes have been calculated on the basis of reported earnings rather than earnings currently taxable.

#### *Deferred Income*

The Company issues mortgages at discounts which are reflected in deferred income and then amortized over the term of each mortgage using the straight-line method.

### 3. Investment in Marketable Securities

	1976	1975
Carrying value	\$ 47,845,000	\$ 36,760,000
Statutory value	\$ 48,027,000	\$ 36,605,000
Market value	\$ 47,017,000	\$ 33,185,000

The statutory value has been determined in accordance with provisions of the Trust Companies Act (Alberta).

No provision has been made for the decline in market value below carrying value as management is of the opinion that such decline does not represent a permanent diminution in value.

### 4. Properties

	1976	1975
Developed properties	\$ 13,195,000	\$ 8,148,000
Less accumulated depreciation	279,000	145,000
	<u>12,916,000</u>	<u>8,003,000</u>
Properties under development	9,524,000	5,231,000
Properties held for sale	14,730,000	188,000
	<u>\$ 37,170,000</u>	<u>\$ 13,422,000</u>

Depreciation on properties and premises and equipment charged to earnings totaled \$320,000 in 1976 and \$214,000 in 1975.

## 5. Guaranteed Account

Deposits include Savings and Chequing Accounts, Registered Retirement Savings Plans, Registered Home Ownership Savings Plans and Income Averaging Annuity Contracts.

Assets held to secure the Guaranteed Account were:

	1976	1975
Cash and deposit receipts	\$ 8,797,000	\$ 5,615,000
Mortgages and secured loans	218,644,000	195,732,000
Marketable securities	39,877,000	29,735,000
Properties	23,096,000	—
	<u>\$290,414,000</u>	<u>\$231,082,000</u>

## 6. Mortgages Payable

	1976	1975
Mortgages secured by developed properties, bearing interest ranging from 9 <sup>3</sup> / <sub>4</sub> % to 13 <sup>3</sup> / <sub>4</sub> %, maturing from 1980 to 1997	\$ 12,151,000	\$ 7,266,000
Mortgages secured by properties under development, bearing interest at 10 <sup>3</sup> / <sub>4</sub> %	—	1,650,000
Other	232,000	600,000
	<u>\$ 12,383,000</u>	<u>\$ 9,516,000</u>

Minimum annual principal payments for the next five years are: 1977 — \$67,000; 1978 — \$75,000; 1979 — \$92,000; 1980 — \$804,000; and 1981 — \$291,000.

## 7. Subordinated Notes

The 10<sup>1</sup>/<sub>2</sub>%, Series A, Subordinated Notes are retired through annual payments of \$168,000 with a final repayment of \$992,000 in 1982 for which the Company holds \$1,000,000 of specified marketable securities.

## 8. Long-Term Leases

The aggregate minimum rentals payable under leases, exclusive of property taxes, insurance and other occupancy and maintenance charges for the five-year period ended December 31, 1981 are approximately \$457,000. Rents paid during 1976 aggregated approximately \$115,000.

## 9. Contingent Liability

At December 31, 1976, the Company was contingently liable to a maximum of \$492,000 pursuant to agreements respecting the sale of certain properties on which the Company warranted that a minimum rental income will be earned by the purchaser for a period of one year.

## 10. Statutory Information

The aggregate direct remuneration paid by the Company to directors and senior officers amounted to \$432,000.



## Auditors' Report

To the Shareholders of  
Commerce Capital Trust Company

We have examined the consolidated balance sheet of Commerce Capital Trust Company as at December 31, 1976 and the consolidated statements of earnings, retained earnings and general reserve for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances including verification of cash, bank balances and securities of the company. All our requirements as auditors have been complied with.

After due consideration we have formed an independent opinion of the position of the company as at December 31, 1976 and we report that in our opinion and according to the best of our information and the explanations given to us these consolidated financial statements present

fairly the financial position of the company as at December 31, 1976 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We report that the financial statements are in agreement with the books of the company and that all transactions that have come within our notice have, in our opinion, been within the powers of the company.

*Thorne Riddell & Co.*  
Chartered Accountants

Calgary, Alberta  
March 4, 1977



# Commerce Capital Trust Company

## Branches

Calgary  
209 - 8th Avenue S.W.  
Calgary, Alberta T2P 1B8  
R. D. Whitney, Manager

Edmonton  
10420 Jasper Avenue  
Edmonton, Alberta T5J 1Z3  
W. L. Miller, Manager

Grande Prairie  
9933 Richmond Avenue  
Grande Prairie, Alberta T8V 0V1  
G. V. Neufeld, Manager

Kamloops  
157 Victoria Street  
Kamloops, B.C. V2C 1Z4  
T. A. Harris, Manager

Lethbridge  
309 - 7th Street South  
Lethbridge, Alberta T1J 2G4  
L. L. Davidson, M.T.C.I., Manager

Medicine Hat  
429 - 3rd Street S.W.  
Medicine Hat, Alberta T1A 0G8  
W. C. Drummond, Manager

Montreal  
1450 St. Catherine St. W.  
Montreal, Quebec H3G 1R3  
P. Hurtubise, M.T.C.I., Manager

Red Deer  
4822 Gaetz Avenue  
Red Deer, Alberta T4N 4A3  
J. R. Unsworth, M.T.C.I., Manager

Toronto  
8 King St. East, Suite 300  
Toronto, Ontario M5C 1B5  
R. A. Mask, Manager

Vancouver  
564 Howe Street  
Vancouver, B.C. V6C 2C9  
A. L. Flemmer, Manager

Victoria  
731 Fort Street  
Victoria, B.C. V8W 1G9  
A. G. Rankin, Manager

Winnipeg  
349 Portage Avenue  
Winnipeg, Manitoba R3B 2C3  
E. J. Timmermann, M.T.C.I., Manager

## Real Estate Operations

Commerce Capital Properties Limited  
349 Portage Avenue  
Winnipeg, Manitoba R3B 2C3

J. B. Whitely  
Chairman

T. L. Charne, Q.C.  
President

G. O. Terry  
Vice-President, Leasing

G. K. Cinnamon  
Vice-President, Development

G. W. Roman, C.A.  
Comptroller

J. Medway  
Secretary

## Department Managers

J. W. Beckerleg  
Manager, Investments

L. E. Burton, M.T.C.I.  
Manager, Personnel

M. Clark, C.A.  
Manager, Accounting Operations

T. A. Koster  
Manager, Computer Services

D. T. McIntosh, M.T.C.I.  
Manager, Mortgage Operations

C. R. Sharp, M.T.C.I., C.E.B.  
Manager, Corporate and Personal Trust

F. G. Vanden Dungen  
Manager, Branch Operations

K. W. Yip, C.A.  
Manager, Corporate Audit

## Our Services

### Savings Plans

#### Savings Accounts

generous interest rates offered on your day-to-day savings

#### Chequing Accounts

interest bearing accounts with chequing privileges

#### Guaranteed Investment Certificates

100-day to five-year term deposits with high interest rates and no fees to provide a maximum and guaranteed return on your investment dollars

#### Commerce Capital Mortgage Corporation

##### Bonds

one to five-year bonds with a fixed and guaranteed rate of interest to provide stability and high returns on your savings

#### Deposit-by-Mail Services

we provide addressed and prepaid envelopes, a convenient way to do business with us

### Financial Planning Programmes

#### Registered Retirement Savings Plan

a complete plan with a variety of investment options including term deposits, a mortgage fund and a guaranteed savings plan to provide growth, stability and high income returns and to help you save towards your future pension requirements.

#### Self-Administered R.R.S.P.

a special retirement savings plan in which you personally administer or direct your own investments to build yourself a secure future

#### Registered Home Ownership Savings Plan

a guaranteed fixed income plan geared to help you finance your future home purchase through personal and tax savings

#### Deferred Profit-Sharing Plans

a guaranteed fixed income plan to allow companies to provide pension benefits to employees by sharing profits and saving taxes

#### Income Averaging Annuity Contracts

a guaranteed fixed income plan to average qualifying income over a period of years

### Investment Funds

#### Comcap Mortgage Fund

an investment fund which enables you, with as little as \$500, to participate in the Canadian mortgage market and to share in the attractive returns it offers

### Mortgage Loans and Services

#### Conventional Loans

we offer custom-tailored mortgages on residential and commercial properties in Canada.

#### MICC and SMIC — Insured Loans

#### CMHC — Insured Loans

#### Mortgage Correspondent and Servicing Agent

#### Mortgage Banking

### Real Estate Services

#### Real Estate Brokerage

#### Appraisal Services

#### Property Management

### Trust Services

#### Estate Planning and Administration

#### Trustee for Pension Plans

#### Transfer Agent and Registrar

#### Custodial Services

### Miscellaneous Services

#### Money Orders

#### Travellers Cheques

#### Administration of Utility Accounts

Member Canada Deposit Insurance Corporation

Member Quebec Deposit Insurance Board



Member:  
Trust Companies  
Association  
of Canada





